

Message Text

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ACTION IO-14

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 ISO-00

AGRE-00 AID-05 EB-08 USIA-06 COME-00 TRSE-00

CEA-01 CIAE-00 FRB-03 INR-10 NSAE-00 SP-02 STR-07

LAB-04 SIL-01 OMB-01 /115 W

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R 131702 MAR 78

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1262

INFO AMEMBASSY BONN

AMEMBASSY COLOMBO

AMEMBASSY DAR ES SALAAM

AMEMBASSY LODON

AMEMBASSY MANILA

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BRUSSELS FOR USEC

FODAG

E.O. 11652: N/A

TAGS: FAO, OCON

SUBJECT: HARD FIBERS: 13TH SESSION OF FAO IGG

SUMMARY: THE 13TH SESSION OF THE FAO INTERGOVERNMENTAL GROUP (IBG)

ON HARD FIBERS MET IN ROME MARCH 6-10. ITS RESULTS WERE PREDICTABLY

UNPROGRESSIVE. PRODUCERS FOLLOWED UP THE CALL BY THE LAST UNCTAD

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MEETING (GENEVA.,JAN, 30-FEB.3) TO STRENGTHEN THE EXISTING IN-

FORMAL PRICE ARRANGEMENT BY MAINTAINING THE INDICATIVE PRICE RANGE

BUT ABOLISHING THE LAST VESTIGES OF CONTRL BY "FLOATING/ THE

EXPORT QUOTAS. ABACA PRODUCERS AND CONSUMERS (WITH THE "NONPARTI-
CIPATION"

OF THE USDEL) REINSTATED INDICATIVE PRICE RANGES FOR THREE

GRADES OF ABACA. COIR INTERNATIONAL WAS DISCUSSED AT LENGTH

BUT NOT IN GREAT DEPTH BY THE AD HOC WORKING PARTY ESTABLISHED AT THE LAST MEETING. THE WORKING PARTY REQUESTED NATIONAL GOVERNMENTS CONSIDER THE MATTER FURTHER AND ASKED THE FAO TO FURTHER EXAMINE SEVERAL SPECIFIC ASPECTS OF THE PROPOSED ORGANIZATION. END SUMMARY

1. SISAL AND HENEQUEN: THE OPPOSITION OF SEVERAL PRODUCING COUNTRIES TO PRICE STABILIZATION MEASURES WAS CLEARLY MANIFESTED IN THE 13TH SESSION OF THE FAO IGG ON HARD FIBERS. THE INDICATIVE PRICE RANGE WAS MAINTAINED AT ITS PREVIOUS LEVEL OF DOLLARS 450-550 PER METRIC TON FOR EAST AFRICAN UG GRADE FIBER. HOWEVER, THE VOLUNTARY EXPORT QUOTAS WERE "FLOATED", IN EFFECT SUSPENDED WITH THE PRECISE LEVELS OF EXPORTS TO BE DETERMINED BY "MARKET FORCES". THE EEC PRESSED FOR A MORE EFFECTIVE SYSTEM OF EXPORT CONTROL, BUT DID NOT RAISE THE QUESTION OF A DIFFERENTIAL BETWEEN TWINE AND RAW FIBER PRICES. THIS LATTER CHANGE IN POSITION FROM PAST FAO MEETINGS WAS A RESULT OF ADMANT OPPOSITON FROM THE FEDERAL REPUBLIC OF GERMANY IN THE LAST EEC MEETING ON THE SUBJECT.

2. ABACA: THE MEETING AGREED TO REINSTATE AN INFORMAL INDICATIVE PRICE AGREEMENT FOR ABACA. INDICATIVE PRICE RANGES WERE ESTABLISHED FOR THREE LEADING GRADES OF HAND CLEAED PHILIPPINE ABACA: A-2, G, AND JK GRADES AT 630-850, 555-755, AND PROVIDES FOR AUTOMATIC CONSULTATIONS BETWEEN PRODUCERS AND CONSUMERS WHENEVER THE PRICES REACH THE LIMITS OF THE RANGES. LIMITED OFFICIAL USE

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THE TERMS OF THIS ARRANGMENT WERE PRESENTED BY THE EEC. THE PHILIPPINE DELEGATION HEADED BY LANUZZA, GOVERNOR OF THE NEWLY CREEATED ABACA INDUSTRY DEVELOPMENT AUTHORITY, CAME WITH NO SPECIFIC PROPOSALS AND GENERALLY ACCEPTED WHAT WAS PRESENTED TO IT. THE PHILIPPINE DELEGATION DID NOT RAISE THE QUESTION OF INTERNATIONAL FINANCING FOR PHILLIPINE ABACA STOKS.

3. THE USDEL DID NOT PARTICPATE ACTIVELY IN THE DISCUSSIONS OF THE INFORMAL INDICATIVE PRICE AGEEMENTS FOR EITHER SISAL AND HENEQUAN OR ABACA. THE USDEL MADE CLEAR THIS WAS IN CONSIDRATION OF DOMESTIC LEGAL FACTORS AND IMPLIED NEITHER SUPPORT FOR NOR OBJECTION TO THE DECISIONS TAKEN BY THE MEETING ON THIS SUBJECT. THIS POSITION WAS RECOGNIZED ZND ACCEPTED BY THE OTHER PARTICIPATING DELEGATINS.

4. COIR: DISCUSSIONS ON COIR FOCUSED PRIMARILY ON THE PROPOSAL TO ESTABLISH COIR INTERNATIONAL. THE INDIAN DELEGATE DID MAKE A REQUEST AT THE END OF THE MEETING FOR INTERNATIONAL ASSISTANCE ON PRICE LEVELS, BUT RECIEVED ONLY LIMITED RESPONSE. THE AHPW ON COIR INTERNATIONAL REVIEWED THE FAO PROPOSAL AND DISCUSSED QUESTIONS OF OBJECTIVES, AVTIVITIES, MEMBERSHIP AND FINANCING

OF SUCH AN ORGANIZATION. PRODUCING COUNTRIES MADE CLEAR THEY
HOPED FOR PARTICIPATION FROM BOTH PRODUCER AND CONSUMER
GOVERNMENTS. THE INDIAN DELEGATE PROPOSED MEMBERSHIPS BASED

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MANDATORY CONTRIBUTIONS OF 1-2000,000 DOLLARS ANNUALLY.
HOWEVER, IT WAS AGREED BY THE MEETING THAT MORE STUDY AND
ELABORATION OF THE IDEA WERE REQUIRED. THE OBJECTIVES
WERE REWRITTEN BY THE WORKING PARTY TO MORE CLEARLY LIMIT
THE SCOPE OF COIR INTERNATIONAL, BUT THE QUESTION OF WHAT
ROLE TRADE AND INDUSTRY MIGHT PLAY IN THE ORGANIZATION RE-
MAINED UNRESOLVED. THE FAO WAS ASKED TO SEARCH FOR ALTERNATIVE
POSSIBILITIES, TO ANALYSE THE COSTS AND BENEFITS OF THE PRO-
POSED MARKET PROMOTION ACTIVITIES, AND TO EXAMINE THE ABILITY
OF SUPPLY TO MEET ANY INCREASED DEMAND. THIS WORK IS EX-
PECTED TO TAKE APPROXIMATELY SIX MONTHS, AFTER WHICH ANOTHER
MEETING OF THE WORKING PARTY WOULD BE CALLED.

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5. COIR INTERNATIONAL: POSITIONS OF PARTICIPATING COUNTRIES:
WITHIN THE EC, THE UK IS THE MOST ENTHUSIASTIC SUPPORTER
OF COIR INTERNATIONAL. NEVERTHELESS THEY SEE IT PRIMARILY AS
A PRODUCER ORGANIZATION IN WHICH THE TRADE AND INDUSTRY MIGHT
PARTICIPATE WHILE GOVERNMENT CONTRIBUTIONS WOULD BE LIMITED.
THE FEDERAL REPUBLIC OF GERMANY ALSO SPOKE POSITIVELY.
BUT GAVE NO SUPPORT TO THE POSSIBILITY OF FINANCIAL CONTRI-
BUTIONS. FRANCE, AT THIS TIME, WOULD NOT SUPPORT AN INTER-
NATIONAL ORGANIZATION DESIGNED TO EXPAND DEMAND. THEIR
DELEGATION THOUGHT THAT SUPPLY AND QUALITY MIGHT NOT BE ABLE
TO MEET SUCH INCREASED DEMAND AND THAT THEREFORE RESOURCES
DIRECTED TO SUCH AN END MIGHT BE WASTED. THE INDIAN DELEGATE,
CHANDRA, WAS NEW TO COIR, APPARENTLY INEXPERIENCED, AND HAD
LITTLE FLEXIBILITY IN THE DISCUSSIONS. HE NOTED INFORMALLY
THAT FOR DOMESTIC POLITICAL REASONS (THE PRODUCING REGION'S
POVERTY AND LACK OF ALTERNATIVE EMPLOYMENT OPPORTUNITIES,
THE IDEA OF COIR INTERNATIONAL HAS BEEN GIVEN SOME PRIORITY
WITHIN THE GOI. HOWEVER, APART FROM THEIR EXPRESSED DESIRE
FOR SOME CONSUMER FINANCIAL COMMITMENT AND AGREEMENT TO
LOCATE THE HEADQUARTERS OF COIR INTERNATIONAL IN INDIA, THE
DELEGATION PRESENTED NO PROPOSALS OR FURTHER ELABORATION
SRI LANKA HAD VIRTUALLY NOTHING TO SAY EXCEPT TO SUPPORT
INDIA.

6. FUTURE MEETING: IT WAS THE GENERAL CONSENSUS OF THIS
MEETING THAT THE NEXT MEETING SHOULD BE HELD IN A PRODUCING
COUNTRY ACCORDING TO PAST TRADITION. THE FINAL DECISION
ON THE SPECIFIC SITE AND TIMING (ONE YEAR HENCE) WAS LEFT
TO THE FAO DG. FYI: THE BRAZILIAN DELEGATE HAS INFORMALLY
EXPRESSED THE HOPE THAT BRAZIL WILL HOST THE NEXT SESSION,
PROBABLY IN THE STATE OF EL SALVADOR. HOWEVER, THE FINAL
APPROVAL OF THE GOV WAS NOT OBTAINED IN TIME TO EXTEND AND
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INVITATION AT THIS MEETING. COIR INTERNATIONAL WILL PROBABLY
ALSO BE A SUBJECT FOR DISCUSSION AT THE NEXT UNCTAD MEETING
IN SEPTEMBER, 1978. GARDNER

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